

CHAPTER 12. THE GENERIC PROCESS FOR ISSUING MANAGEMENT SPECIFICATIONS TO FRACTIONAL OWNERSHIP ORGANIZATIONS

SECTION 1. GENERAL INFORMATION

1. BACKGROUND. The process of issuing management specifications (MSpecs) provides a means by which prospective fractional program managers (hereafter referred to as program managers) are empowered to conduct business in a manner that complies with all applicable sections of Title 14 of the Code of Federal Regulations (14 CFR), Title 49 of the United States Code (49 U.S.C.), and Federal Aviation Administration (FAA) directives. The process is designed to prevent the issuance of MSpecs to applicants who are unwilling or unable to comply with regulations or to conform to safe operating practices.

2. GUIDANCE FOR THE PROCESS. Previously, how the FAA worked with fractional owners differed from region to region. Some fractional owners were viewed as strictly 14 CFR part 91, and others were considered to be 14 CFR part 135 air carriers. This chapter standardizes the FAA's approach to fractional ownership on a national basis by replacing any previous guidance, including regional supplements.

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SECTION 2. PROCESS OF ISSUING MSPECS

1. GENERAL. This section describes the process leading up to and the issuance of MSpecs. Under no circumstances will an applicant receive MSpecs until the district office is assured that the applicant is capable of fulfilling responsibilities and complying with 14 CFR in an appropriate and consistent manner.

2. PROCESS FOR A PROGRAM MANAGER TO OBTAIN MSPECS. In the narrative that follows, the process is detailed in a series of five phases or steps:

- Preapplication
- Formal application
- Document compliance
- Demonstration and inspection
- Issuance of MSpecs

A. Aviation Safety Inspector (ASI) Judgment. For simple management organizations, the steps outlined here can be condensed or eliminated. It is important for the ASI to realize that the simplicity or complexity of the organization is based upon the ASI's assessment of the applicant's proposed operation.

B. Differences Among Applicants. The ASI must also realize that some applicants, even though they are proposing a simple operation, may lack a basic understanding of what is required by a fractional owner. In such an instance, and after considering all factors, the ASI may want to insist upon following all steps in the process to ensure that safety is enhanced. Conversely, other applicants may propose a very complex operation but be well-prepared and knowledgeable, therefore not requiring that all steps be followed. The process must be complex enough to apply to all possibilities and, at the same time, flexible enough not to discourage the aviation public or overburden the ASI.

3. PREAPPLICATION PHASE. Initial inquiries about or requests for an application from a fractional owner or program manager may come from individuals or organizations and may be in writing or in the form of informal meetings with district office personnel.

A. Initial Inquiry. During the initial contact, the applicant will usually have specific questions about the requirements for fractional ownership.

(1) The ASI should explain to the applicant all equipment, material, personnel, manual, and facility requirements, and discuss pertinent sections of 14 CFR and advisory circulars (AC). The ASI should tell the applicant how to obtain current copies of these documents and explain that the applicant should review them carefully.

(a) At this point, the ASI should determine if the applicant is sufficiently aware of the regulatory requirements. The ASI should try to gauge the experience level of the applicant to determine how formal the process must be. If the applicant wishes to continue with the process, the ASI will provide the applicant with copies of the appropriate documents or Web site addresses where they can be found.

(b) The applicant may provide three choices (in order of preference) of a three-letter designator, which will become part of the identifier number. The applicant will have to provide the choices to the ASI (preferably in writing) at some point during the process of receiving MSpecs. Otherwise, the applicant will receive a random, computer-generated number. Obtaining designator numbers is covered in Order 8300.10, Airworthiness Inspector's Handbook, Volume 1, Chapter 9, Obtain Number for an Air Operator, Air Agency, or a Fractional Ownership Program.

(2) If the applicant is proposing a complex operation (i.e., a large number of complex aircraft or an operation conducted in several district office jurisdictions) or seems unclear about the specific requirements, the ASI may ask the applicant to describe the intended operation in writing. A compliance statement completed by the applicant should also be requested.

(a) In such an instance, an applicant for MSpecs must provide a Statement of Intent (SOI) for review.

(b) The scope of the proposed operation may also require that the applicant (or representative) come to the district office for a preapplication meeting in addition to submitting an SOI or letter of intent. If

there is any question about the need for such a meeting, the ASI should consult with the district office manager or unit supervisor.

(3) An applicant who is already familiar with the process (i.e., a pilot who has worked for a fractional owner, certificated air operator, or air agency, and wishes to start a similar business) may simply submit a completed application form during the initial contact with the district office. The applicant may present the application in person along with any manuals and other documents that might be required. This will usually occur only when the applicant's operation is of limited complexity.

B. Team Assignment. The district office manager will assign sufficient ASIs to the team. One team member will be designated as a team leader. The team leader will not only coordinate matters with the applicant, but will also ensure that the unit supervisor is kept fully informed of the project's current status (e.g., during staff meetings). From the time of its appointment, the team handles all matters pertaining to the applicant, regardless of who the applicant initially contacted.

C. Preapplication Meeting. If, after its assignment to the project, the team has determined that a preapplication meeting is necessary, the team leader shall contact the applicant to arrange the meeting as soon as practical. The meeting should include, but not be limited to, the following:

- A review of the SOI or letter of intent to verify that all information is complete and accurate
- A review of applicable federal aviation regulations and ACs (and how to obtain them, if not already accomplished)
- A review and discussion of the procedures to ensure that the applicant understands what is expected
- A review of what is required on the application and what is to be submitted with the application
- An indication of which ASIs will conduct which aspects of the project

D. Terminating the Preapplication Phase. The Preapplication Phase ends when the fractional team is satisfied that the applicant is prepared to proceed with

formal application. If the applicant is not ready, the team should advise the applicant of the problems and work with the applicant to arrive at solutions or terminate the process.

4. FORMAL APPLICATION PHASE. An applicant's presentation of an application package and the district office's review is considered the Formal Application Phase.

A. Receipt of Formal Application Package. The applicant may send the application package by mail or may hand-deliver it to the district office. If it is hand-delivered, the FAA will inform the applicant that it will need a brief period of time to review it. Avoid discussions of its acceptability at this time. Inform persistent applicants that further discussion would be unproductive until the team has reviewed the formal application. Then advise the applicant that the team will be in contact on the application package's acceptability and to arrange for a formal application meeting if necessary.

B. Application Package Initial Review. Upon receipt of an application package, the team must initially review it to determine its acceptability. The package generally consists of:

- Copies of the application form
- Documentation that the applicant has or can obtain use of an aircraft or appropriate facilities, as applicable
- Any partial or complete manuals, as applicable
- Curricula or personnel training programs, as applicable
- A Schedule of Events (see below)

C. Schedule of Events. For 14 CFR part 91, subpart K, a Schedule of Events is required to be submitted with the application. The team must carefully consider the feasibility of the proposed schedule with respect to logic of sequence, timeliness of events, completeness of events, and ASI availability.

(1) Logic of Sequence. Many of the activities or events listed in the schedule must occur before other activities or events.

(2) *Timeliness of Events.* The Schedule of Events must provide sufficient time for the team to review the applicant's various documents, manuals, and proposals.

(3) *Completeness of Events.* The number of and kinds of submissions made by the applicant for evaluation and acceptance or approval may vary according to the complexity of the proposed operation.

(4) *ASI Availability.* Another concern in meeting the Schedule of Events is the availability and the capability of the office personnel resources. Sufficient qualified ASIs must be made available to ensure timely completion of the process.

D. Formal Application Meeting. If the fractional team determines that a formal application meeting is necessary, all members of the team must be present, barring unanticipated circumstances. During the meeting, the team and the applicant will review the application package and resolve any discrepancies.

(1) If mutual agreements cannot be reached on any discrepancies, the team should terminate the meeting and inform the applicant that the application package is not acceptable. The application package must then be returned to the applicant with a letter explaining the reasons for the rejection.

(2) When agreement has been reached on corrective action for deficiencies, the team should then encourage the applicant to present any questions. The team members should answer these questions fully and candidly.

(3) Before the conclusion of the formal application meeting, the team must make certain the applicant clearly understands the following:

(a) The applicant will receive notification in writing in the event the application is rejected. This notification should be made within five working days after the formal application meeting. A telephone call concerning the application rejection shall be made to the applicant as soon as the determination is made, indicating that written notification will follow and will include the reasons for the rejection.

(b) If the application is acceptable, the process continues with an indepth examination of the application and associated documents during the Document Compliance Phase. A letter accepting the

application is necessary because the time limit begins upon receipt of the application in an acceptable form.

(c) Acceptance of the application does not constitute acceptance or approval of any attached documents (curricula, sample manuals, etc.). They will be reviewed further, and the applicant will be expected to take corrective action if required. Acceptance or approval of each attachment will be indicated separately.

E. Application Rejection. Rejection of an application will be a sensitive issue, since the applicant will most likely have already expended funds and resources to this point. Therefore, it is important for the team to document thoroughly the reasons for the rejection. The reasons should clearly indicate that to proceed with the process would not be productive unless the applicant is willing to accept the team's corrective suggestions. Reasons for rejection might include lack of agreement on appropriate courses of action or evidence that the applicant misunderstands regulatory requirements and the process. In the event of rejection, the application and documents submitted are returned to the applicant with a letter of rejection.

F. Terminating the Formal Application Phase. If the team accepts the application package, the Formal Application Phase of the process is terminated, and the Document Compliance Phase begins.

5. DOCUMENT COMPLIANCE PHASE. The Document Compliance Phase is that part of the process in which the applicant's manuals and other documents are carefully reviewed and either approved or rejected. This phase, for the most part, is performed in the district office by members of the team.

A. Required Documents. The required documents vary with the type and size of the operation under consideration.

B. Unacceptable Documents. If any of the documents are unacceptable, they will be returned to the applicant. The team may want to send the applicant a letter of rejection stating those reasons for rejection.

C. Acceptable Documents. If the team finds all documents acceptable, the process proceeds with the Demonstration and Inspection Phase.

D. Applicant Profile. The team shall obtain a profile of the applicant and personnel by using the Integrated Safety Information Subsystem (ISIS). This profile may determine if the process should continue. For example, if the information obtained in the profile indicates a suspension or revocation order is in effect, it may prohibit further action. The team should also consider what position the person would be filling.

E. Terminating the Document Compliance Phase. Once all required documents are approved or accepted, the Document Compliance Phase ends. The process continues in the Demonstration and Inspection Phase. Although the Document Compliance Phase and the Demonstration and Inspection Phase are dealt with as distinct, separate phases, the two may overlap or occasionally coincide.

6. DEMONSTRATION AND INSPECTION PHASE. In the Demonstration and Inspection Phase, the team inspects the applicant's facilities and equipment and observes personnel in the performance of their duties. Emphasis in this phase is on compliance with regulations and safe operating practices. Through observation, monitoring, and other forms of onsite evaluation, the team will be exposed to many types of activities.

A. Regulatory Compliance. During evaluation, the team shall ensure the applicant's ability to comply with all applicable sections of 14 CFR.

B. Determination of Approval or Disapproval. Throughout the Demonstration and Inspection Phase, the team will ensure that all aspects of the applicant's required demonstrations are observed and that a determination of approval or disapproval for each is made.

C. Handling Deficiencies. If, at any time, certain items or the applicant's conduct of activities prove to be deficient, appropriate corrective action must be taken. If necessary, the team will advise the applicant of the impracticality of continuing the process due to the extent of the deficiencies.

D. Unsatisfactory Demonstration. If a particular demonstration of compliance is unsatisfactory, the team must discuss with the applicant how to correct the problem. Reinspection should be scheduled as necessary. The team may want to follow up with a letter indicating the nature of the failure and its corrective action. Deficiencies will have to be corrected before the process can continue.

E. Satisfactory Demonstrations. If the applicant's demonstrations are successful, the team will issue appropriate documentation.

F. Terminating the Demonstration and Inspection Phase. When all demonstrations are satisfactorily completed, the Demonstration and Inspection Phase is ended, and the applicant is ready for issuance of the MSpecs.

7. MSPECS ISSUANCE PHASE.

A. Obtaining Designator Numbers. The team leader is responsible for assuring that a designator number is obtained from the Operational Systems Branch, AFS-620, in Oklahoma City, OK. An ASI on the team shall telephone AFS-620 when a designator number is required.

(1) When contact is made, the ASI will state that the purpose of the call is to obtain a designator number for a program manager. The ASI follows the procedures found in vol. 1, ch. 9.

(2) AFS-620 uses a systematic scheme for the construction of standard certificate numbers. See vol. 1, ch. 9 for an explanation of how this number assignment system works.

B. Program Manager File. The team will assemble a file for the program manager. The file, which is maintained at the certificate-holding district office (CHDO), will include:

- A copy of the SOI or letter of intent, as appropriate
- A copy of the application
- A copy of the program manager's MSpecs
- A copy of any manuals or approved curricula
- A summary of any difficulties encountered during any phase of the MSpecs issuance process or recommendations for future surveillance (report)
- Enforcement Information System (EIS) and Accident/Incident Data System (AIDS) profiles for the applicant and the pilots

- Copies of leases, agreements, and contracts, if applicable
- Compliance statement
- Any correspondence between the applicant and the FAA

C. Surveillance Plan. After the new fractional owner has received its MSpecs, the team will establish a plan using the national program guidelines as a basis for inspection and surveillance.

(1) When developing the plan, the team may decide to direct additional surveillance during the first

few months the new fractional owner is in business. This may assist the program manager in continuing compliance with pertinent regulations.

(2) The team is also responsible for assembling a report that includes the names and titles of each team member. The report shall be signed by the team leader and have a summary of any difficulties or recommendations encountered during the process. This report will be valuable in preparing surveillance plans because it will have highlighted possible weak areas that can be emphasized during an inspection.

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